

BEFORE JAMES A. DODRILL, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION (NAIC #15431)

ADMINISTRATIVE PROCEEDING NO. 21-IC-02130

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES James A. Dodrill, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the Report of Financial Examination (hereinafter, the “Examination Report”) of West Virginia Farmers Mutual Insurance Association (hereinafter referred to as “Company”), as of December 31, 2019, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated and commenced business on March 24, 1909, under the laws of the State of West Virginia. The Company is authorized to transact business as a farmers mutual insurance company under the provisions of Article 22 of Chapter 33 of the *West Virginia Code*.

2. An examination of the financial condition and operational affairs of the Company for period beginning January 15, 2015 and ending December 31, 2019, was conducted as a component of a coordinated financial examination of the Celina Insurance Group (“CIG”) with the state of Ohio serving as the lead state.

3. On June 4, 2021, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia Code* §33-2-9(j)(2). A copy of the Report of Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

4. On or about June 7, 2021, a true and accurate copy of the Report of Financial Examination was sent to, and received via email, by William W. Montgomery. A copy of the Letter dated June 7, 2021, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated June 7, 2021, Exhibit B, was notified and afforded a period of ten (10) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

6. By letter dated June 8, 2021, William W. Montgomery acknowledged that he had reviewed the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of June 8, 2021, is attached hereto as Exhibit C.

CONCLUSIONS OF LAW

1. The Insurance Commissioner is charged with the duty of administering and enforcing the provisions of Chapter 33, of the West Virginia Code of 1931, as amended.

2. The Company is organized pursuant to provisions of Article 22, Chapter 33 of the *West Virginia Code*.

3. *West Virginia Code* § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath, and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity, of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance

Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an order adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an order rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

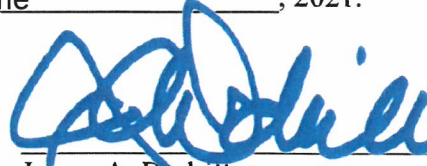
ORDER

It is, therefore, **ORDERED** as follows:

1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby **APPROVED** and **ADOPTED** by the Insurance Commissioner.
2. A copy of this *Order Adopting Report of Financial Examination* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.
3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination* in accordance with *West Virginia Code* § 33-2-9(j)(4).
4. The Company shall take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.
5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review as set forth in *West Virginia Code* §33-2-14, any person aggrieved by this order may, within

30 days after the order has been mailed or delivered to the persons entitled to receive the same,
file an appeal in and with the Circuit Court of Kanawha County, West Virginia.

ENTERED this 11th day of June, 2021.



James A. Dedrill
West Virginia Insurance Commissioner

REPORT OF EXAMINATION
OF
WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION
CLARKSBURG, WV
NAIC #15431
AS OF DECEMBER 31, 2019

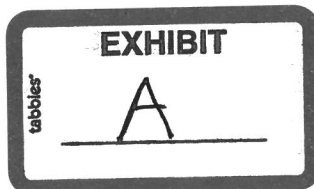


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SALUTATION

June 4, 2021
Charleston, West Virginia

The Honorable James A. Dodrill
West Virginia Insurance Commissioner
900 Pennsylvania Ave.
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner ("WVOIC"), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), an examination has been made of the administrative affairs, books, records, and financial condition of:

West Virginia Farmers Mutual Insurance Association
1206 Crislip Avenue
Clarksburg, West Virginia 26301

hereinafter referred to as the "Company". The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a single-state financial examination of the Company. The last examination covered the five-year period from January 1, 2010 through December 31, 2014. The examination commenced on June 19, 2020 pursuant to W.Va. Code §33-2-9(a), as amended, and covers the five-year period from January 1, 2015 through December 31, 2019. This examination was conducted as a component of a coordinated financial examination of the Celina Insurance Group (“CIG”) with the state of Ohio serving as the lead state.

As part of the examination of the CIG affiliated companies, Thomas S. Botsko, ACAS, MAAA Chief Property & Casualty Actuary from the Ohio Department of Insurance (“ODI”) led the actuarial reserving review for all the entities within the CIG under exam. The examiners relied upon the actuarial review performed by the ODI, which concluded that the Company maintains adequate reserves as of December 31, 2019.

In addition, the Examiners relied on the work of the IT Specialists from the ODI for the review of IT general controls. Reliance was also placed on the testing completed by the ODI over key functional activities of the CIG that was relevant to the Company.

The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations and rules) with regard to any material adverse findings disclosed by the examination.

The general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook (“Handbook”) and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAP”) and annual statement instructions were assessed.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There are no significant findings as a result of this examination.

HISTORY

The Company was incorporated in West Virginia and commenced business on March 24, 1909. It operates as a Farmers Mutual Fire Insurance Company under Article 22 of Chapter 33 of the West Virginia State Code. The Company is affiliated with and a member of the CIG headquartered in Celina, OH, and is a member of this holding company system by virtue of common management/directors and a management services and cost sharing agreement with National Mutual Insurance Company (the ultimate controlling entity). In addition, the Company has an Excess of Loss reinsurance agreement with affiliate The Celina Mutual Insurance Company ("Celina") and is a participant in a combined external reinsurance program in which all members of the CIG participate. The Company is only licensed to write business in West Virginia.

During the examination period, there were no amendments to the Company's Bylaws or Articles of Incorporation.

Dividends to Policyholders

During the period of examination, the Company did not declare or pay any dividends to policyholders.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Significant changes in key trends

Net premium written has increased in each of the last five years as shown below:

NET PREMIUM WRITTEN				
2019	2018	2017	2016	2015
\$2,320,671	\$2,161,850	\$1,992,306	\$1,903,410	\$1,840,719

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The Company's Articles of Incorporation and Bylaws call for a board composed of not less than six nor more than fifteen members. Members of the Board may be divided into three classes, each class to consist of not less than two directors with each class to be elected for a term of three years. The individuals serving as members of the Board of Directors on December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
William West Montgomery	President
Michael Stanley Kleinhenz	Treasurer
Joshua Victor Garton	
Donald George Robinson	
Phillip Marion Fullenkamp	
Theodore Albert Habek	

OFFICERS

The Company's Bylaws provide for the following officers to be elected by the Board of Directors: (a) from among its members: a President and a Treasurer, and (b) from among its members or otherwise: a Vice President and a Secretary. Any two offices except the President may be combined and held by the same person. Officers elected at the March 27, 2019 Board of Directors Meeting and serving as of December 31, 2019, were as follows:

<u>Name</u>	<u>Title</u>
William West Montgomery	President
Michael Stanley Kleinhenz	Treasurer & Vice President
Suzanne Lynn Wells	Secretary

COMMITTEES

The Bylaws require no formal committees. At the Board's discretion it can elect from among its members an Executive Committee, an Audit Committee, or an Investment Committee. The Board has established only an Executive Committee, and elected the members annually. As of December 31, 2019 the following were the Board committees and their composition:

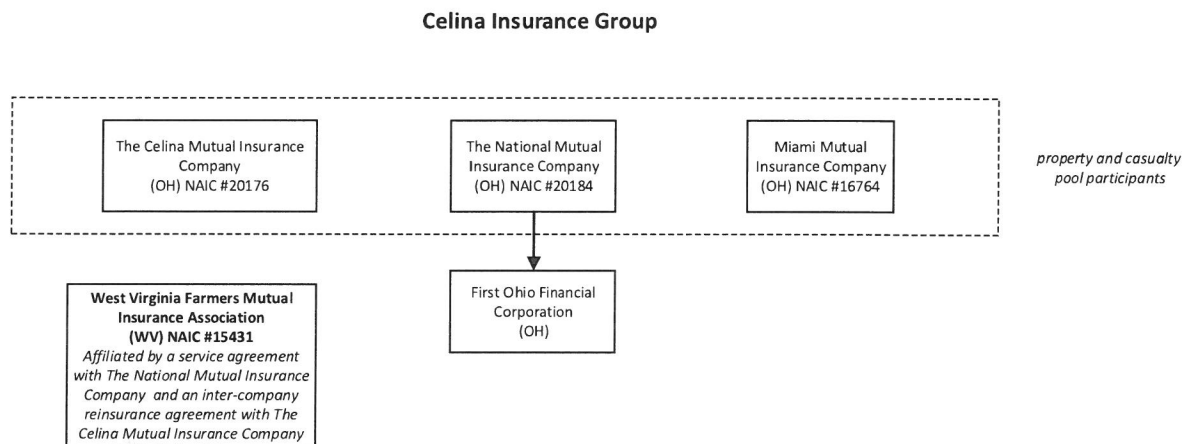
Executive Committee

William W. Montgomery
Michael S. Kleinhenz

ORGANIZATIONAL CHART

The Company is a member of an insurance holding company system. CIG consists of four mutual insurance companies and a non-insurance entity affiliated through cost sharing and service agreements. The National Mutual Insurance Company, The Celina Mutual Insurance Company and Miami Mutual Insurance Company are Ohio domiciled insurers. The Company is a West Virginia domiciled insurer. First Ohio Financial Corporation, an Ohio domiciled non-insurer and a wholly owned subsidiary of The National Mutual Insurance Company, currently serves as the

in-house agent for cancelled agent business and the employee insurance program. Its financial statements are immaterial to the Celina Group.



AGREEMENTS

As of December 31, 2019, the Company had the following related party agreements in force:

Services & Cost Sharing Agreement

The Company has a Service and Cost Sharing Agreement with its affiliate, The National Mutual Insurance Company (“National”), effective January 1, 2017 whereby National provides sales, underwriting, claims, accounting, data processing, supervisory, administrative and investment management services. Fees resulting from these services are “fair cost” as reflected by “cost allocation systems as are used by other companies in the Celina Group”. The Company incurred expenses of \$1,110,945 and \$1,222,055 under this agreement in 2019 and 2018, respectively.

XOL Reinsurance Agreement

Effective January 1, 2013, the Company entered into an excess of loss reinsurance agreement with Celina, which is more fully described below in the reinsurance section.

TERRITORY AND PLAN OF OPERATION

The Company is a West Virginia domiciled farm mutual insurance company licensed solely in the State of West Virginia. The Company is primarily concentrated in Farmowners Multiple Peril with supplemental writings in Fire and limited writings in Allied Lines, Inland Marine, Earthquake and Other Liability.

REINSURANCE

Assumed

As of December 31, 2019, the Company had no assumed reinsurance.

Ceded

Effective January 1, 2013, the Company entered into an excess of loss reinsurance agreement with Celina. Under the terms of the agreement, the Company retains the first \$25,000 of each loss subject to the limit of liability of up to \$325,000 per loss for Celina (total coverage of \$350,000 per loss). Premium for this coverage is \$536,000 or 21.3% of the Company's annual gross net earned premium income. Additionally, the agreement includes a stop loss provision based on a 65% loss ratio whereby Celina is liable for up to \$1,000,000. Premium for this coverage is \$240,000 or 9.52% of the Company's annual gross net earned premium income, whichever is greater. The Company ceded premium of \$1,125,520 and \$1,042,179 under this agreement in 2019 and 2018, respectively.

The Company is also a participant in a combined external reinsurance program in which all members of the CIG participate. This reinsurance program provides additional excess of loss coverage over and above the affiliated excess of loss reinsurance agreement executed with Celina.

As of the examination date, this program included a multi-line excess of loss reinsurance contract with \$350,000 retention, with several layers up to \$20.0 million for property lines, \$7.0 million for casualty lines (including umbrella) and \$15.0 million for workers' compensation. A property catastrophe program provided protection up to \$35.0 million in excess of \$4.0 million retention. Property catastrophe aggregate excess coverage was maintained up to \$10.0 million excess of \$4.0 million, with a \$1,000,000 occurrence deductible. A 100% quota share agreement on mechanical

breakdown was maintained up to \$15.0 million. Lastly, 5% property quota share coverage was in place.

All contracts reviewed contained the necessary clauses that meet the guidelines prescribed by the NAIC.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the WVOIC and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

STATEMENT OF ASSETS DECEMBER 31, 2019

	Assets	Non-Admitted	Admitted Assets
Bonds	\$7,369,050	\$ -	\$7,369,050
Common Stocks	832,520	-	832,520
Cash and Equivalents	173,061	-	173,061
Subtotals	\$8,374,632	\$ -	\$8,374,632
Investment Income Due and Accrued	61,351	-	61,351
Uncollected Premium and Agents' Balances	30,517	-	30,517
Deferred Premium	588,458	-	588,458
Reinsurance Recoverable	9,735	-	9,735
Net Deferred Tax Asset	14,433	-	14,433
Aggregate Write-Ins	12,220	12,220	-
Total Assets	\$9,091,345	\$ 12,220	\$9,079,126

**STATEMENT OF LIABILITIES, SURPLUS, AND OTHER FUNDS
DECEMBER 31, 2019**

Losses	\$ 189,878
Loss Adjustment Expenses	31,400
Commissions Payable	49,924
Other Expenses	5,795
Taxes, Licenses and Fees	2,681
Current federal and foreign income taxes	13,353
Unearned Premiums	1,939,165
Advance Premium	43,637
Ceded Reinsurance Payable	79,523
Amounts Withheld for Account of Others	823
Remittances and Items not Allocated	12,740
Payable to Parent, subsidiaries, and affiliates	111,665
Total Liabilities	\$2,480,583
Unassigned Funds (Surplus)	6,598,543
Surplus as regards to Policyholders	6,598,543
TOTAL	\$9,079,126

STATEMENT OF INCOME
DECEMBER 31, 2019

Premiums Earned	\$ 2,170,217
Losses Incurred	593,677
Loss Adjustment Expenses	226,068
Other Underwriting Expenses	1,157,559
Total Underwriting Deductions	<u>1,977,304</u>
Net Underwriting Gain	<u>\$192,913</u>
Net Investment Income	216,682
Net Realized Capital Gains	8,381
Net Investment Gain	<u>\$225,063</u>
Net gain (loss) from agent' or premium balances charged off	(1,582)
Finance & Service Charges Not Included in Premiums	27,095
Aggregate Write-in for Other Income	(142)
Total Other Income	<u>25,371</u>
Net Income Before Taxes and Dividends	443,347
Federal and Foreign Income Tax	85,815
Net Income	<u><u>\$357,532</u></u>

**RECONCILIATION OF SURPLUS
DECEMBER 31, 2019**

Surplus as of Prior Examination – 12/31/2014	\$5,100,068
Net Income	190,441
Change in net unrealized capital gains (losses)	(10,812)
Change in net deferred income tax	15,207
Change in nonadmitted assets	(2,388)
Change in surplus as regards to policyholders	192,447
Surplus at December 31, 2015	<u>\$5,292,515</u>
Net Income	207,680
Change in net unrealized capital gains (losses)	48,762
Change in net deferred income tax	5,945
Change in nonadmitted assets	(838)
Change in provision for reinsurance	(314)
Change in surplus as regards to policyholders	261,235
Surplus at December 31, 2016	<u>\$5,553,751</u>
Net Income	370,584
Change in net unrealized capital gains (losses)	112,126
Change in net deferred income tax	(61,021)
Change in nonadmitted assets	(1,195)
Change in provision for reinsurance	314
Change in surplus as regards to policyholders	420,809
Surplus at December 31, 2017	<u>\$5,974,560</u>
Net Income	185,111
Change in net unrealized capital gains (losses)	(50,689)
Change in net deferred income tax	11,360
Change in nonadmitted assets	(1,749)
Change in provision for reinsurance	(18)
Change in surplus as regards to policyholders	144,015
Surplus at December 31, 2018	<u>\$6,118,574</u>
Net Income	357,532
Change in net unrealized capital gains (losses)	120,589
Change in net deferred income tax	2,472
Change in nonadmitted assets	(644)
Change in provision for reinsurance	18
Change in surplus as regards to policyholders	479,968
Surplus at December 31, 2019	<u>\$6,598,542</u>

SUMMARY OF EXAMINATION CHANGES

There were no adjustments to the financial statements as a result of the examination.

SUBSEQUENT EVENTS

1. On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, President Donald J. Trump declared COVID-19 a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the global supply chain as well as the demand for labor, products and services in the U.S. The economic disruptions caused by COVID-19 and the increased uncertainty about its magnitude has also caused extreme volatility in the financial markets. While the full effect of COVID-19 is still unknown at the time of this report, the Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of COVID-19 on U.S. insurers.
2. On March 25, 2020, James M. Cookman was appointed to the Board of Directors to fill the unexpired term of Mildred Young; the vacancy was created due to the death of Ms. Young. In addition, Joshua V. Garton was appointed to replace Mildred Young on the Executive Committee.
3. On July 31, 2020, Michael S. Kleinhenz was named the Assistant Secretary.
4. The Company along with its affiliated companies, was a participant in a 5% Property Quota Share reinsurance program through December 31, 2019. This reinsurance program was non-renewed effective January 1, 2020.

SUMMARY OF EXAMINATION RECOMMENDATIONS

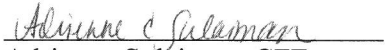
There were no significant findings or recommendations as a result of the examination.

ACKNOWLEDGEMENT AND SIGNATURE

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. In addition to the undersigned, David Palmer, CFE, MCM, consulting supervising examiner of Lewis & Ellis, Inc.; and Deborah K. Zegeer, Examiner Manager of the WVOIC participated in the examination, as well as examiners representing the Ohio Department of Insurance.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner's Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of financial condition of West Virginia Farmers Mutual Insurance Association as of December 31, 2019 as determined by this examination.

Respectfully Submitted,

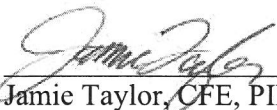


Adrienne Sulaiman, CFE

Examiner-in-Charge

Lewis & Ellis, Inc.

Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE, PIR, MCM

Chief Financial Examiner

Company Analysis and Examination Division

WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

James A. Dodrill
Insurance Commissioner

June 7, 2021

Mr. William W. Montgomery, President
West Virginia Farmers Mutual Insurance Association
1 Insurance Square
Celina, OH 45822

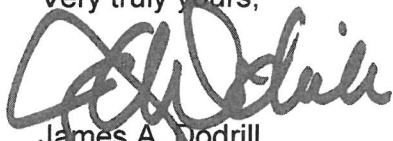
RE: Report of Examination as of December 31, 2019
West Virginia Farmers Mutual Insurance Association – NAIC #15431

Dear Mr. Montgomery:

Please find enclosed a copy of the **Report of Examination** of West Virginia Farmers Mutual Insurance Association ("WVFMIA"). This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code of 1931, as amended. The **Report of Examination** reflects the financial affairs and condition of WVFMIA as of December 31, 2019.

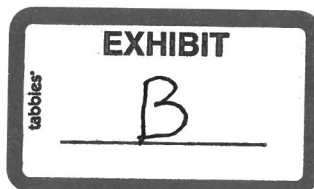
You have ten (10) working days from receipt of this letter to make written submissions or rebuttals with respect to any matter contained in the **Report of Examination**.

Very truly yours,


James A. Dodrill
Insurance Commissioner

JAD/jot

Enclosure: Copy of Report of Examination





1 Insurance Square • Celina, Ohio 45822 • 800.552.5181 • Fax: 419.586.8997

June 8, 2021

The Honorable James A. Dodrill
West Virginia Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25302

RE: Report of Examination of West Virginia Farmers Mutual Insurance Association as of December 31, 2019.

Dear Commissioner Dodrill:

We have received your letter of June 7, 2021 which transmitted the Report of Examination of West Virginia Farmers Mutual Insurance Association as of December 31, 2019. Your letter indicates we have ten (10) working days from the receipt of the letter to make written submissions or rebuttals with respect to any matter contained in the Report of Examination. We have reviewed the report and agree with its contents. We are pleased to note there were no significant findings or adjustments to the financial statements as a result of the examination.

Sincerely,
West Virginia Farmers Mutual Insurance Association

William W. Montgomery
President

CC: Jamie Taylor, Director/Chief Examiner

CELINA INSURANCE GROUP IS A FAMILY OF INDEPENDENT COMPANIES

THE CELINA MUTUAL INSURANCE COMPANY • THE NATIONAL MUTUAL INSURANCE COMPANY
MIAMI MUTUAL INSURANCE COMPANY • WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

www.celinainsurance.com

